

Cobalt Financial Corporation
10251 Vista Sorrento Parkway, #350
San Diego, CA 92121

May 20, 2010

Mr. Paul Mondor, Senior Attorney
Division of Consumer and Community Affairs,
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Dear Mr. Mondor,

The Federal Reserve Board's proposal to make changes to Regulation Z/Section 226.36(d) is detrimental to the consumer as it restricts the consumers' loan options in working with a mortgage broker, thus causing either higher pricing or higher rates.

For example, a \$100,000 loan at 5.0% interest with one point is equal to a \$100,000 loan at 5.25% interest with zero points (1% yield spread). The originator makes the same compensation on either loan scenario.

If the Federal Reserve Board's current proposal is implemented it will eliminate the zero point option that the mortgage broker can currently offer. This will restrict the borrower from having a choice to save \$1,000 on loan fees. The Federal Reserve Board's proposal eliminates a yield spread compensation for the mortgage broker (loan originator) in making zero point loans unavailable.

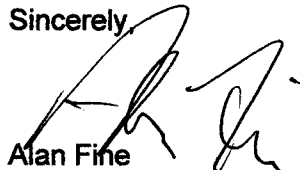
In addition, when a federally regulated bank offers the consumer a loan, the consumer generally pays even more for the rate, offering either higher points on 5.0% interest with two points or 5.5% interest with zero points (1% yield spread). The bank pays their employee to originate the loan from their 1% yield spread, which is not disclosed to the consumer. If the Federal Reserve Board's proposal is in place, the mortgage broker's (loan originator) lower cost option of 5.25% interest with zero points to the consumer is eliminated.

My suggestion is to level the playing field. Require that the banks disclose their yield spreads for originating their loans, and allow the mortgage broker industry to give the consumer full choices by not restricting their compensation from yield spreads.

In summary, the Federal Reserve Board's proposed changes of Regulation Z/Section 226.36(d) reduces the consumers' options and will cause them to seek higher priced loans, thereby defeating the purpose of helping the consumers (See Rate Comparison Addendum).

Feel free to call me with any questions. I can be reached at 760-635-0005.

Sincerely,








Alan Fine
Loan Advisor

Rate Comparison Addendum

Rate Comparison 5/20/2010 \$500,000 30-Year Fixed CA loan
Mortgage Broker Zero Pt 4.875% 0 pts \$975 lender fee
Federal Regulated Bank BofA 4.875% 1 pts \$1,400 lender fee

The best consumer rates are at the top of list, by Mortgage Brokerage. Bank of America is more expensive.

Source BankRate.com/Yahoo Finance
MORTGAGE RATES IN SAN FRANCISCO, CALIFORNIA 30-Year Fixed

Lender		Date	Rate	APR	Fees	Points	Monthly(\$)
							
NationsChoice Mortgage	NationsChoice Mortgage MOST COMPETITIVE RATES - WALL STREET JOURNAL	05/20/10	4.875	4.875	\$0	0.000/ 0.000	\$2,646
							
Cornerstone Mortgage Group	Cornerstone Mortgage Group Direct lender call now for a free no obligation rate quote!	05/20/10	4.875	4.877	\$100	0.000/ 0.000	\$2,646
							
RiteWayMortgages.com	RiteWayMortgages.com FREE QUOTE! LOCK TODAY! QUALITY IS NUMBER 1!	05/20/10	4.760	4.774	\$1,395	0.000/ 0.000	\$2,608
							
FIRSTBANC LENDING	FIRSTBANC LENDING AVOID the "Bait and Switch" Go Direct and Save!!!	05/20/10	4.899	4.909	\$599	0.000/ 0.000	\$2,653
							
Bank of America Home Loans	Bank of America Home Loans Refinance rates are still low. Lock in a low fixed rate today.	05/20/10	4.875	4.988	\$1,400	1.000/ 0.000	\$2,646